

**REPORT OF THE AUDIT OF THE
WOODFORD COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE
WOODFORD COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Woodford County Fiscal Court for fiscal year ended June 30, 2004.

We have issued unqualified opinions, based on our audit, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Woodford County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$20,886,684 as of June 30, 2004. The fiscal court had \$1,358,519 in unrestricted net assets in its governmental activities as of June 30, 2004, with total net assets of \$20,871,097. In its enterprise fund, total net cash and cash equivalents were \$15,587 with total net assets of \$15,587. The fiscal court had total debt principal as of June 30, 2004 of \$9,875,000 with \$455,000 due within the next year.

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Joe D. Gormley, Woodford County Judge/Executive
Members of the Woodford County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Woodford County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Woodford County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Woodford County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Woodford County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
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The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woodford County, Kentucky's basic financial statements. The accompanying supplementary information and combining non-major fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2004, on our consideration of Woodford County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 10, 2004

WOODFORD COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Joe D. Gormley	County Judge/Executive
Jackie Brown	Magistrate
Jim Staples	Magistrate
Bobby Gaffney	Magistrate
Tommy Turner	Magistrate
Buddy McDonald	Magistrate
Dick Alcock	Magistrate
Bones Webber	Magistrate
Carl Rollins	Magistrate

Other Elected Officials:

Alan George	County Attorney
Gary Gilkison	Jailer
Corine Woolums	County Clerk
John Coyle	Sheriff
Gary Gillis	Property Valuation Administrator
Steve Ward	Coroner

Appointed Personnel:

Becky Wilson	County Treasurer
Becky Wilson	Occupational Tax Collector
Chris Lafoe	Accounts Payable

Management's Discussion and Analysis

June 30, 2004

Management's discussion and analysis of Woodford County, Kentucky offers readers of Woodford County's financial statements this narrative overview and analysis of the financial activities of Woodford County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

Financial Highlights

- Woodford County had net assets of \$20,886,684 as of June 30, 2004. The fiscal court had \$1,358,519 unrestricted net assets in its governmental funds as of June 30, 2004 with total net assets of \$20,871,097. In its enterprise fund, cash and cash equivalents were \$15,587 with total assets of \$15,587. Total debt principal as of June 30, 2003 was \$9,875,000 with \$455,000 due within one year.
- At the close of the current fiscal year, Woodford County's balance sheet reported a fund balance of \$1,514,736. Of this amount, \$1,441,799 is available for spending at the government's discretion (unreserved fund balance).
- Woodford County's total indebtedness at the close of fiscal year June 30, 2004 was \$9,875,000 of which \$9,420,000 is long-term debt (due after 1 year) and \$455,000 is short-term debt (to be paid within 1 year). Debt additions were \$2,115,000 and debt reductions were \$2,400,000 for a net decrease of \$285,000 during the year.
- In addition, Woodford County, was the host for a Federal Homeland Security Grant in the amount of \$1,020,000 that covered an eleven-area county known as Area 13 BERT Team. Through 6/30/2004, \$241,493 had been received and spent on this grant.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Woodford County's basic financial statements. Your County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Woodford County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Woodford County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Woodford County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Woodford County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). Woodford County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity - the operation of a jail canteen.

The government-wide financial statements include not only Woodford County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Woodford County has one such entity, the Public Properties Detention Center Corporation. It is known as a blended component unit.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Woodford County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Woodford County can be divided into two broad categories: *governmental funds and proprietary funds*.

Woodford County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Woodford County maintains seven (7) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, Jail Fund, Public Properties Corporation Jail Bond Fund – Series 1993, Public Properties Corporation Courthouse Annex Bond Fund, Public Properties Corporation Community Center Bond Fund, and the Public Properties Corporation Jail Bond Fund – Series 2003 all of which are considered major funds by the County. Local Government Economic Assistance Fund, State Grant Fund, Federal Grant Fund, and the Public Properties Corporation Courthouse Bond Fund are considered non-major funds and are represented in a combined form.

Woodford County adopts an annual appropriated budget for its major governmental funds, with the exclusion of the Public Properties Corporation Bond Funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with their budgets.

Proprietary Funds. Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis. As previously noted, a financial analysis will not be prepared for the implementation year.

Woodford County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Financial Analysis of the County's Funds

As noted earlier, Woodford County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Woodford County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the June 30, 2004 fiscal year, the combined ending fund balance of County governmental funds was \$1,514,736. Approximately 95% (\$1,441,799) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance (\$72,937) is reserved to indicate that it is not available for new spending because it is committed.

The County has seven (7) major governmental funds. They are: 1) General Fund; 2) Road Fund; 3) Jail Fund; 4) Public Properties Corporation Jail Bond Fund – Series 1993; 5) Public Properties Corporation Courthouse Annex Bond Fund; 6) Public Properties Corporation Community Center Bond Fund; 7) Public Properties Corporation Jail Bond Fund – Series 2003. There are four (4) non-major funds. They are: 1) Local Government Economic Assistance Fund; 2) State Grant Fund; 3) Federal Grant Fund; 4) Public Properties Corporation Courthouse Bond Fund.

1. The General Fund is the chief operating fund of Woodford County. At the end of the June 30, 2004 fiscal year, unreserved fund balance of the General Fund was \$1,251,871, while total fund balance was \$1,257,192. The county received \$4,976,814 in Occupational tax revenues. This accounts for approximately 54% of the general fund revenue. \$1,243,856 was received from real and personal property taxes and accounts for approximately 14% of the county's general fund revenues. Various other taxes and service fees make up the remaining 32% of revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$42,624 fund balance at June 30, 2004. The fiscal year 2004 expenditures for road projects were \$1,657,069.
3. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2004 of \$24,992. The Jail Fund received \$412,600 for services, primarily for housing prisoners. The General Fund contributed \$648,705 to the jail operations.
4. The Public Properties Corporation Jail Bond Fund – Series 1993 had a fund balance of \$0 as of June 30, 2004. The purpose of this fund is to account for debt service requirements of the Jail Bonds for the Fiscal Court. During fiscal year 2004, these bonds were refinanced with the Public Properties Corporation Jail Bond Fund – Series 2003.

Woodford County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Financial Analysis of the County's Funds (Continued)

5. The Public Properties Corporation Courthouse Annex Bond Fund had a fund balance of \$61,507 as of June 30, 2004. The purpose of this fund is to account for debt service requirements of the Courthouse Annex Bonds for the Fiscal Court.
6. The Public Properties Corporation Community Center Bond Fund had a \$1,870 fund balance as of June 30, 2004. The purpose of this fund is to account for debt service requirements of the Community Center Bonds for the Fiscal Court.
7. The Public Properties Corporation Jail Bond Fund – Series 2003 had an \$8,829 fund balance as of June 30, 2004. The purpose of this fund is to account for the debt service requirements of the Jail Bonds for the Fiscal Court.
8. The Local Government Economic Assistance Fund had a fund balance of \$33,711 as of June 30, 2004.
9. The State Grant Fund is used to account for state monies received. The county received \$70,907 in state funds for various ongoing projects. The State Grant Fund had a \$9,435 balance as of June 30, 2004.
10. The Federal Grant Fund is used to account for federal monies received. The county received \$70,301 in federal funds for ongoing projects. The Federal Grant Fund had a \$295 balance as of June 30, 2004.
11. The Public Properties Corporation Courthouse Bond Fund had a fund balance of \$74,281 as of June 30, 2004.

Proprietary Funds Overview. The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Woodford County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$15,587 as of June 30, 2004 and a cash balance of \$15,587.

General Fund Budgetary Highlights

The County's original budget was amended during the fiscal year increasing the operating budget by \$1,029,806. Budget amendments were made to all areas due to grants and surplus cash carried forward.

Actual operating revenues were \$953,323 more than amount originally budgeted by Fiscal Court. This increase was primarily from Intergovernmental sources and tax revenues.

Actual operating expenditures were \$ 407,506 less than amount originally budgeted by Fiscal Court.

**Woodford County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Capital Assets and Debt Administration.

Capital Assets. Woodford County's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounts to \$ 29,231,361 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions. The County has reported infrastructure assets per GASB 34 provisions.

Additional information on the County's capital assets can be found in Note 4 of this report.

Long-Term Debt. At the end of the 2004 fiscal year, Woodford County had total long-term debt outstanding of \$9,875,000. The amount of this debt due within the next year is \$455,000 and \$9,420,000 is due in subsequent years. This debt is for the detention center, parks and recreation center, and the Courthouse Annex building

Other Matters

The following factors are expected to have a significant effect on Woodford County's financial position or results of operations and were taken into account in developing the 2005 fiscal year budget:

- The 2005 fiscal year Adopted Budget continues most services at current levels with the exception for which federal or state funding is decreasing or for projects which have been completed or are nearing completion.
- Program cuts at the State level, particularly relating to the cost of housing prisoners, may have a negative impact on funding for county programs. The Fiscal Court may decide to alter the operations or funding of County operations impacted by State revenue shortfalls.

Requests For Information

This financial report is designed to provide a general overview of Woodford County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Woodford County Treasurer, 103 South Main Street, Room 201, Versailles, KY 40383.

WOODFORD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

WOODFORD COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,514,736	\$ 15,587	\$ 1,530,323
Total Current Assets	<u>1,514,736</u>	<u>15,587</u>	<u>1,530,323</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	970,000		970,000
Buildings	15,735,533		15,735,533
Other Equipment	67,146		67,146
Vehicles and Equipment	1,144,348		1,144,348
Infrastructure Assets - Net of Depreciation	<u>11,314,334</u>		<u>11,314,334</u>
Total Noncurrent Assets	<u>29,231,361</u>		<u>29,231,361</u>
Total Assets	<u>30,746,097</u>	<u>15,587</u>	<u>30,761,684</u>
LIABILITIES			
Current Liabilities:			
Due Within One Year	455,000		455,000
Unclaimed Cash		6,504	6,504
Total Current Liabilities	<u>455,000</u>	<u>6,504</u>	<u>461,504</u>
Noncurrent Liabilities:			
Due In More Than One Year	<u>9,420,000</u>		<u>9,420,000</u>
Total Noncurrent Liabilities	<u>9,420,000</u>		<u>9,420,000</u>
Total Liabilities	<u>9,875,000</u>	<u>6,504</u>	<u>9,881,504</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	19,356,361		19,356,361
Restricted For:			
Debt Service	146,487		146,487
Grants	9,730		9,730
Unclaimed Cash		6,504	6,504
Unrestricted	<u>1,358,519</u>	<u>9,083</u>	<u>1,367,602</u>
Total Net Assets	<u>\$ 20,871,097</u>	<u>\$ 15,587</u>	<u>\$ 20,886,684</u>

The accompanying notes are an integral part of the financial statements.

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WOODFORD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

WOODFORD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 4,146,454	\$ 45,924	\$ 253,204	\$
Protection to Persons and Property	3,093,425	675,537	506,200	
General Health and Sanitation	920,288	250,116	85,254	
Social Services	228,667			
Recreation and Culture	940,908		54,659	
Roads	2,180,926		900,882	
Airports	24,575			
Interest On Long-Term Debt	400,388		430,614	
Capital Projects	128,903			
Total Governmental Activities	12,064,534	971,577	2,230,813	
Business-type Activities:				
Jail Canteen Fund	26,855	26,502		
Total Business-type Activities	26,855	26,502		
Total Primary Government	\$ 12,091,389	\$ 998,079	\$ 2,230,813	\$ 0

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (3,847,326)	\$	\$ (3,847,326)
(1,911,688)		(1,911,688)
(584,918)		(584,918)
(228,667)		(228,667)
(886,249)		(886,249)
(1,280,044)		(1,280,044)
(24,575)		(24,575)
30,226		30,226
(128,903)		(128,903)
(8,862,144)		(8,862,144)
	(353)	(353)
	(353)	(353)
(8,862,144)	(353)	(8,862,497)
974,436		974,436
54,972		54,972
154,214		154,214
4,628,851		4,628,851
1,140,084		1,140,084
1,023,766		1,023,766
36,550		36,550
8,012,873		8,012,873
(849,271)	(353)	(849,624)
21,720,368	15,940	21,736,308
\$ 20,871,097	\$ 15,587	\$ 20,886,684

The accompanying notes are an integral part of the financial statements.

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WOODFORD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

WOODFORD COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Jail Bond Fund 1993 Series
ASSETS				
Cash and Cash Equivalents	\$ 1,257,192	\$ 42,624	\$ 24,992	\$
Total Assets	<u>\$ 1,257,192</u>	<u>\$ 42,624</u>	<u>\$ 24,992</u>	<u>\$ 0</u>
FUND BALANCES				
Fund Balances:				
Reserved for:				
Encumbrances	\$ 5,321	\$ 42,624	\$ 24,992	\$
Debt Service				
Unreserved:				
General Fund	1,251,871			
Special Revenue Fund				
Total Fund Balances	<u>1,257,192</u>	<u>42,624</u>	<u>24,992</u>	
Total Liabilities and Fund Balances	<u>\$ 1,257,192</u>	<u>\$ 42,624</u>	<u>\$ 24,992</u>	<u>\$ 0</u>

Reconciliation of the Balance Sheet - Governmental Funds to Statement of Net Assets:

Total Fund Balances

Amounts Reported For Governmental Activities In The Statement

Of Net Assets Are Different Because:

Capital Assets Used in Governmental Activities Are Not Financial Resources

And Therefore Are Not Reported in the Funds.

Depreciation

Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.

Bonded Debt

Net Assets Of Governmental Activities

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

(Continued)

Public Properties Corporation Courthouse Annex Bond Fund	Public Properties Corporation Community Center Bond Fund	Public Properties Corporation Jail Bond Fund 2003 Series	Non- Major Governmental Funds	Total Governmental Funds
\$ 61,507	\$ 1,870	\$ 8,829	\$ 117,722	\$ 1,514,736
\$ 61,507	\$ 1,870	\$ 8,829	\$ 117,722	\$ 1,514,736
\$ 61,507	\$ 1,870	\$ 8,829	\$ 74,281	\$ 72,937
				146,487
				1,251,871
			43,441	43,441
61,507	1,870	8,829	117,722	1,514,736
\$ 61,507	\$ 1,870	\$ 8,829	\$ 117,722	\$ 1,514,736
\$ 1,514,736				
46,364,715				
(17,133,354)				
(9,875,000)				
\$ 20,871,097				

The accompanying notes are an integral part of the financial statements.

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WOODFORD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WOODFORD COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Jail Bond Fund 1993 Series
REVENUES				
Taxes	\$ 6,463,905	\$	\$	\$
Licenses and Permits	36,382			
Intergovernmental	1,682,949	879,180	468,251	
Charges for Services	621,991		15,377	
Miscellaneous	344,219		22,444	
Interest	36,550			
Total Revenues	<u>9,185,996</u>	<u>879,180</u>	<u>506,072</u>	
EXPENDITURES				
General Government	2,065,871			
Protection to Persons and Property	1,875,360		1,056,032	
General Health and Sanitation	906,443			
Social Services	131,459			
Recreation and Culture	518,152			
Roads		1,549,384		
Airports	24,575			
Debt Service	38,222			147,354
Capital Projects	20,370			
Administration	1,752,283	107,685	95,731	
Total Expenditures	<u>7,332,735</u>	<u>1,657,069</u>	<u>1,151,763</u>	<u>147,354</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,853,261</u>	<u>(777,889)</u>	<u>(645,691)</u>	<u>(147,354)</u>
Other Financing Sources (Uses)				
Proceeds of Refunding Bonds				
Discount On Bond Issuance				
Accrued Interest Received				
Cost Of Bond Issuance				
Payment to Refund Bonds				
Transfers From Other Funds		820,513	648,705	147,354
Transfers To Other Funds	(2,010,976)			
Total Other Financing Sources (Uses)	<u>(2,010,976)</u>	<u>820,513</u>	<u>648,705</u>	<u>147,354</u>
Net Change in Fund Balances	(157,715)	42,624	3,014	
Fund Balances - Beginning	1,414,907		21,978	
Fund Balances - Ending	<u>\$ 1,257,192</u>	<u>\$ 42,624</u>	<u>\$ 24,992</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

WOODFORD COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Public Properties Corporation Courthouse Annex Bond Fund	Public Properties Corporation Community Center Bond Fund	Public Properties Corporation Jail Bond Fund 2003 Series	Non- Major Governmental Funds	Total Governmental Funds
\$	\$	\$	\$	\$ 6,463,905
				36,382
221,259	207,763		213,441	3,672,843
				637,368
				366,663
1,289	36	227		38,102
<u>222,548</u>	<u>207,799</u>	<u>227</u>	<u>213,441</u>	<u>11,215,263</u>
			700	2,066,571
			32,391	2,963,783
				906,443
			97,208	228,667
	415,526		27,998	961,676
			18,999	1,568,383
				24,575
237,731		34,039	71,345	528,691
			108,533	128,903
			2,142	1,957,841
<u>237,731</u>	<u>415,526</u>	<u>34,039</u>	<u>359,316</u>	<u>11,335,533</u>
<u>(15,183)</u>	<u>(207,727)</u>	<u>(33,812)</u>	<u>(145,875)</u>	<u>(120,270)</u>
		2,115,000		2,115,000
		(26,420)		(26,420)
		4,701		4,701
		(29,778)		(29,778)
		(2,050,200)		(2,050,200)
	207,763	29,338	157,303	2,010,976
				(2,010,976)
	<u>207,763</u>	<u>42,641</u>	<u>157,303</u>	<u>13,303</u>
(15,183)	36	8,829	11,428	(106,967)
76,690	1,834		106,294	1,621,703
<u>\$ 61,507</u>	<u>\$ 1,870</u>	<u>\$ 8,829</u>	<u>\$ 117,722</u>	<u>\$ 1,514,736</u>

The accompanying notes are an integral part of the financial statements.

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WOODFORD COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WOODFORD COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (106,967)
--	--------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay (Note 3.)	190,559
Depreciation Expense (Note 3.)	(1,217,863)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Bond Issuance (Note 4. F.)	(2,115,000)
----------------------------	-------------

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Bond Payments (Note 4. F.)	2,400,000
----------------------------	-----------

Change in Net Assets of Governmental Activities	\$ (849,271)
---	--------------

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WOODFORD COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

WOODFORD COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	Business-Type Activity - Enterprise Fund
	Jail Canteen Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 15,587
Total Assets	<u>15,587</u>
Liabilities	
Unclaimed Cash	(6,504)
Total Liabilities	<u>(6,504)</u>
Net Assets	
Restricted For:	
Unclaimed Cash	6,504
Unrestricted	9,083
Total Net Assets	<u><u>\$ 15,587</u></u>

The accompanying notes are an integral part of the financial statements.

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WOODFORD COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WOODFORD COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activities - Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 26,502
Total Operating Revenues	<u>26,502</u>
Operating Expenses	
Cost of Sales	23,322
Educational and Recreational	2,847
Miscellaneous	449
Total Operating Expenses	<u>26,618</u>
Operating Loss	<u>(116)</u>
Nonoperating Revenues (Expenses)	
Inmate Refunds	<u>(237)</u>
Total Nonoperating Revenues (Expenses)	<u>(237)</u>
Change In Net Assets	(353)
Total Net Assets - Beginning	<u>15,940</u>
Total Net Assets - Ending	<u><u>\$ 15,587</u></u>

The accompanying notes are an integral part of the financial statements.

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WOODFORD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

WOODFORD COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Business-Type Activity - Enterprise Fund
	Jail Canteen Fund
Cash Flows From Operating Activities	
Receipts From Customers	\$ 26,502
Cost of Sales	(23,322)
Educational and Recreational	(2,847)
Miscellaneous	(449)
Net Cash Used By Operating Activities	(116)
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	(237)
Net Cash Used By Noncapital Financing Activities	(237)
Net Decrease in Cash and Cash Equivalents	(353)
Cash and Cash Equivalents - July 1, 2003	15,940
Cash and Cash Equivalents - June 30, 2004	\$ 15,587
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities	
Operating Loss	\$ (116)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Net Cash Used By Operating Activities	\$ (116)

The accompanying notes are an integral part of the financial statements.

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WOODFORD COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

WOODFORD COUNTY
STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Agency Fund</u>
	Jail Canteen Inmate Account
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 10,277
Total Assets	<u>10,277</u>
Liabilities	
Amounts Held In Custody For Others	<u>10,277</u>
Total Liabilities	<u>10,277</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Woodford County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The Woodford County Public Properties Corporation is a legally separate organization that provides its services exclusively to the primary government. This organization's balances and transactions are reported as though it is part of the county's primary government using the blending method.

Woodford County Public Properties Corporation

The Public Properties Corporation Courthouse Bond Fund, Public Properties Corporation Jail Bond Fund, Public Properties Corporation Courthouse Annex Bond Fund and the Public Properties Corporation Community Center Bond Fund are included as part of the Woodford County Public Properties Corporation. This component unit cannot be sued in their own name without recourse to the Woodford County Fiscal Court, which appoints a voting majority, consisting of the fiscal court members. The fiscal court is able to impose its will on the Corporation. The Corporation is created solely for the benefit of the fiscal court per KRS 58.180 to act as the agent in the acquisition and financing of any public project. The fiscal court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the fiscal court.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Woodford County Elected Officials Not Part Of Woodford County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Woodford County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation. 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those funds whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Public Properties Corporation Jail Bond Fund Series 1993 – The purpose of this fund is to account for debt service requirements of the Jail bonds for the Fiscal Court. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

Public Properties Corporation Jail Bond Fund Series 2003 – The purpose of this fund is to account for debt service requirements of the Jail bonds for the Fiscal Court. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

Public Properties Corporation Courthouse Annex Bond Fund – The purpose of this fund is to account for debt service requirements of the Courthouse Annex bonds for the Fiscal Court. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

Public Properties Corporation Community Center Bond Fund – The purpose of this fund is to account for debt service requirements of the Community Center bonds for the Fiscal Court. The Governor's Office for Local Development does not require the Fiscal Court to report or budget these funds.

The primary government also has the following non-major governmental funds: Local Government Economic Assistance Fund, State Grant Fund, Federal Grant Fund and Public Properties Corporation Courthouse Bonds Fund. The Local Government Economic Assistance Fund, State Grant Fund and Federal Grant Fund are Special Revenue Funds and the Public Properties Corporation Courthouse Bond Fund is a Debt Service Fund.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value, December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services and administrative expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

All fiduciary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Canteen Inmate Account for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

E. Deposits

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificate of deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the governmental activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	all	10 to 60
Buildings	\$ 25,000	10 to 75
Building Improvements	\$ 25,000	3 to 25
Machinery and Equipment	\$ 2,500	3 to 25
Vehicles	\$ 2,500	3 to 25
Infrastructure	\$ 20,000	10 to 50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

Reserved for Encumbrances are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Debt Service Fund Type because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually. Transfers are budgeted in the General Fund and Special Revenue Fund to comply with these requirements. The Governor's Office for Local Development does not require these funds to be budgeted.

J. Related Organizations and Joint Ventures

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Woodford County Fiscal Court:

Woodford County Hospital District	South Woodford County Water District
Northeast Woodford County Water District	Woodford County Library District
Woodford County Tourism Commission	Woodford County Conservation District
Woodford County Health District	

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Woodford County Fiscal Court:

Versailles – Woodford County Parks and Recreation Department
 Versailles – Woodford County Economic Development Authority
 Versailles, Midway and Woodford County Planning and Zoning Commission

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the primary government as beneficiary/obligee on the bond.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 970,000	\$	\$	\$ 970,000
Total Capital Assets Not Being Depreciated	970,000			970,000
Capital Assets, Being Depreciated:				
Buildings	21,008,386	80,000		21,088,386
Other Equipment	86,427			86,427
Vehicles and Equipment	2,134,124	110,559		2,244,683
Infrastructure	21,975,219			21,975,219
Total Capital Assets Being Depreciated	45,204,156	190,559		45,394,715
Less Accumulated Depreciation For:				
Buildings	(4,931,085)	(421,768)		(5,352,853)
Other Equipment	(5,915)	(13,366)		(19,281)
Vehicles and Equipment	(938,476)	(161,859)		(1,100,335)
Infrastructure	(10,040,015)	(620,870)		(10,660,885)
Total Accumulated Depreciation	(15,915,491)	(1,217,863)		(17,133,354)
Total Capital Assets, Being Depreciated, Net	29,288,665	(1,027,304)		28,261,361
Governmental Activities Capital Assets, Net	\$ 30,258,665	\$ (1,027,304)	\$ 0	\$ 29,231,361

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 122,042
Protection to Persons and Property	129,642
General Health and Sanitation	13,845
Recreation and Culture	229,232
Roads, Including Depreciation of General Infrastructure Assets	<u>723,102</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,217,863</u></u>

Note 4. Long-term Debt

A. General Obligation Bonds, Series 1968

On July 1, 1968, the Woodford County Public Properties Corporation issued \$1,110,000 in non-voted general obligation courthouse bonds. Principal payments are due July 1 and interest, which varies from 5.35% to 5.4%, is payable semiannually on January 1, and July 1. The outstanding principal balance as of June 30, 2004 was \$65,000.

<u>Fiscal Year Ended June 30</u>	<u>Interest</u>	<u>Principal</u>
2005	<u>\$ 1,755</u>	<u>\$ 65,000</u>
Totals	<u><u>\$ 1,755</u></u>	<u><u>\$ 65,000</u></u>

B. Lease Revenue Bonds, Series 1997

On November 1, 1997, the Woodford County Public Properties Corporation issued \$3,635,000 in lease revenue bonds for the purpose of constructing a courthouse annex. Principal payments are due February 1 and interest, which varies from 4.00% and 5.20%, is payable semiannually on August 1 and February 1. The outstanding principal balance as of June 30, 2004, was \$3,330,000.

<u>Fiscal Year Ended June 30</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 170,157	\$ 70,000
2006	167,042	75,000
2007	163,367	75,000
2008	159,692	80,000
2009	155,772	85,000
2010-2014	711,736	485,000
2015-2019	575,194	630,000
2020-2024	396,651	800,000
2025-2029	<u>166,400</u>	<u>1,030,000</u>
Totals	<u><u>\$ 2,666,011</u></u>	<u><u>\$ 3,330,000</u></u>

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long Term Debt (Continued)

B. Lease Revenue Bonds, Series 1997 (Continued)

Also, on November 1, 1997, Woodford County entered into a sublease agreement with the Administrative Office of the Courts (AOC) which states that the AOC agrees to pay Woodford County a yearly use allowance equal to the lesser of the debt service payments on the bonds or \$221,260 per annum. The AOC has an exclusive option to renew this agreement from biennium to biennium (July 1/June 30) for periods of two years at a time, until February 1, 2029.

C. General Obligation Bonds, Series 2000

On February 1, 2000, the Woodford County Public Properties Corporation issued \$5,490,000 in non-voted general obligation courthouse bonds to construct a community center. Principal payments are due February 1, and interest, which varies from 5.375% to 5.45%, is payable semiannually on August 1 and February 1. The outstanding principal balance as of June 30, 2004, was \$4,365,000.

<u>Fiscal Year Ended June 30</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 236,389	\$ 180,000
2006	226,714	190,000
2007	216,501	200,000
2008	205,751	210,000
2009	194,464	220,000
2010-2014	781,775	1,290,000
2015-2019	392,673	1,680,000
2020	21,528	395,000
Totals	<u>\$ 2,275,795</u>	<u>\$ 4,365,000</u>

D. General Obligation Bonds, Series 2003

On October 1, 2003, the Woodford County Public Properties Corporation issued \$2,115,000 General Obligation Refunding Bonds for the purpose of the current refunding of all the outstanding Woodford County Public Properties Corporation Project Revenue Refunding Bonds, 1993 Series A, along with paying the associated costs of issuing the bonds. Principal payments are due November 1, and interest, which varies from 1.8% to 3.7%, is payable semiannually on May 1 and November 1. The outstanding principal balance as of June 30, 2004 was \$2,115,000.

<u>Fiscal Year Ended June 30</u>	<u>Interest</u>	<u>Principal</u>
2005	\$ 57,093	\$ 140,000
2006	54,528	145,000
2007	51,873	150,000
2008	49,173	150,000
2009	46,473	150,000
2010-2014	167,359	835,000
2015-2017	29,223	545,000
Totals	<u>\$ 455,722</u>	<u>\$ 2,115,000</u>

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long Term Debt (Continued)

E. Revenue Refunding Bonds, Series 1993

On July 1, 1993, the Woodford County Public Properties Corporation issued \$2,660,000 in Series A, non-voted public project refunding revenue bonds for the jail project. Principal payments were due November 1, and interest, which varied from 2.25% to 5.6%, was payable semiannually on May 1 and November 1. The County made the scheduled payment due on November 1, consisting of principal payment of \$90,000 and interest of \$57,354, leaving an outstanding principal balance of \$2,010,000. On November 3, 2003, these bonds were refinanced with the General Obligation Refunding Bonds, Series 2003. As of June 30, 2004, there is no ending balance.

F. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 4,665,000	\$ 2,115,000	\$ 235,000	\$ 6,545,000	\$ 385,000
Revenue Bonds	<u>5,495,000</u>		<u>2,165,000</u>	<u>3,330,000</u>	<u>70,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 10,160,000</u>	<u>\$ 2,115,000</u>	<u>\$ 2,400,000</u>	<u>\$ 9,875,000</u>	<u>\$ 455,000</u>

Note 5. Capital Lease Agreement

On December 8, 1994, Woodford County entered into a \$387,000 capital lease agreement with the Kentucky Association of Counties Leasing Trust Program for the construction of a Conservation District Building, with the repayment to be made over a twenty-five year period. Principal payments are due January 20, and interest, which is set at a fixed rate of 5.95%, is due monthly. The outstanding principal balance as of June 30, 2004 was \$293,000.

Fiscal Year Ended June 30	Interest	Principal
2005	\$ 20,054	\$ 13,000
2006	19,118	14,000
2007	18,113	15,000
2008	17,067	15,000
2009	15,992	16,000
2010-2014	61,394	95,000
2015-2019	<u>23,493</u>	<u>125,000</u>
Totals	<u>\$ 175,231</u>	<u>\$ 293,000</u>

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Interest on Long-Term Debt

Debt Service on the Statement of Activities includes \$264,290 in interest on bonds and \$136,098 in interest on other financing obligations.

Note 7. Commitments and Contingencies

The Economic Development Authority has a loan of \$6,300,000 dated December 11, 2001 of which only \$5,651,161 had been drawn down through June 30, 2004. The loan is guaranteed by Woodford County and City of Midway and secured by real estate. The fiscal court agreed to pay half the interest on the loan and expects to be reimbursed when the industrial park is sold.

Note 8. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 9. Deferred Compensation

Woodford County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862.

WOODFORD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 10. Insurance

For the fiscal year ended June 30, 2004, Woodford County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 11. Changes in Accounting Principles and Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The beginning net asset balance for the governmental funds was \$21,720,368 and the beginning fund balance for the governmental activities was \$1,621,703 for an increase of \$20,518,833. The primary reason for this change was the inclusion of capital assets previously omitted. The beginning net asset balance of the business-type activities was not affected by this change since it was comprised solely of cash.

Note 12. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction.

WOODFORD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

WOODFORD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 6,234,700	\$ 6,234,700	\$ 6,463,905	\$ 229,205
Licenses and Permits	28,950	28,950	36,382	7,432
Intergovernmental Revenue	1,302,475	2,322,475	1,682,949	(639,526)
Charges for Services	503,000	503,000	621,991	118,991
Miscellaneous	110,740	120,546	344,219	223,673
Interest	35,000	35,000	36,550	1,550
Total Revenues	<u>8,214,865</u>	<u>9,244,671</u>	<u>9,185,996</u>	<u>(58,675)</u>
EXPENDITURES				
General Government	2,131,660	2,281,607	2,065,871	215,736
Protection to Persons and Property	1,815,669	2,748,116	1,875,360	872,756
General Health and Sanitation	1,004,099	1,009,760	906,443	103,317
Social Services	139,589	142,490	131,459	11,031
Recreation and Culture	528,225	539,692	518,152	21,540
Bus Services Airports	29,492	29,492	24,575	4,917
Debt Service	531,953	573,265	38,222	535,043
Capital Projects	75,000	75,000	20,370	54,630
Administration	1,977,039	1,917,230	1,752,283	164,947
Total Expenditures	<u>8,232,726</u>	<u>9,316,652</u>	<u>7,332,735</u>	<u>1,983,917</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(17,861)</u>	<u>(71,981)</u>	<u>1,853,261</u>	<u>1,925,242</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds			(2,010,976)	(2,010,976)
Total Other Financing Sources (Uses)			<u>(2,010,976)</u>	<u>(2,010,976)</u>
Net Changes in Fund Balance	(17,861)	(71,981)	(157,715)	(85,734)
Fund Balance - Beginning	<u>1,350,000</u>	<u>1,350,000</u>	<u>1,414,907</u>	<u>64,907</u>
Fund Balance - Ending	<u>\$ 1,332,139</u>	<u>\$ 1,278,019</u>	<u>\$ 1,257,192</u>	<u>\$ (20,827)</u>

WOODFORD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 744,729	\$ 943,029	\$ 879,180	\$ (63,849)
Miscellaneous	600	600		(600)
Total Revenues	745,329	943,629	879,180	(64,449)
EXPENDITURES				
Roads	1,358,518	1,639,751	1,549,384	90,367
Administration	108,000	108,000	107,685	315
Total Expenditures	1,466,518	1,747,751	1,657,069	90,682
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(721,189)	(804,122)	(777,889)	26,233
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	721,189	721,189	820,513	99,324
Total Other Financing Sources (Uses)	721,189	721,189	820,513	99,324
Net Changes in Fund Balance		(82,933)	42,624	125,557
Fund Balance - Beginning				
Fund Balance - Ending	\$ 0	\$ (82,933)	\$ 42,624	\$ 125,557

WOODFORD COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	JAIL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 521,700	\$ 521,700	\$ 468,251	\$ (53,449)
Charges for Services	9,800	9,800	15,377	5,577
Miscellaneous	21,600	21,600	22,444	844
Total Revenues	553,100	553,100	506,072	(47,028)
EXPENDITURES				
Protection to Persons and Property	1,054,300	1,095,537	1,056,032	39,505
Administration	109,750	99,394	95,731	3,663
Total Expenditures	1,164,050	1,194,931	1,151,763	43,168
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(610,950)	(641,831)	(645,691)	(3,860)
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			648,705	648,705
Total Other Financing Sources (Uses)			648,705	648,705
Net Changes in Fund Balance	(610,950)	(641,831)	3,014	644,845
Fund Balance - Beginning			21,978	21,978
Fund Balance - Ending	\$ (610,950)	\$ (641,831)	\$ 24,992	\$ 666,823

WOODFORD COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**WOODFORD COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

WOODFORD COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	LGEA Fund	State Grant Fund	Federal Grant Fund	Public Properties Corporation Courthouse Bond Fund	Total Non-Major Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 33,711	\$ 9,435	\$ 295	\$ 74,281	\$ 117,722
Total Assets	<u>\$ 33,711</u>	<u>\$ 9,435</u>	<u>\$ 295</u>	<u>\$ 74,281</u>	<u>\$ 117,722</u>
FUND BALANCES					
Fund Balances:					
Unreserved:					
Special Revenue Fund	\$ 33,711	\$ 9,435	\$ 295	\$	\$ 43,441
Debt Service Fund				74,281	74,281
Total Fund Balances	<u>33,711</u>	<u>9,435</u>	<u>295</u>	<u>74,281</u>	<u>117,722</u>
Total Liabilities and Fund Balances	<u>\$ 33,711</u>	<u>\$ 9,435</u>	<u>\$ 295</u>	<u>\$ 74,281</u>	<u>\$ 117,722</u>

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WOODFORD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

WOODFORD COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	LGFA Fund	State Grant Fund	Federal Grant Fund	Public Properties Corporation Courthouse Bond Fund	Total Non-Major Governmental Funds
REVENUES					
Intergovernmental	\$ 21,702	\$ 37,342	\$ 154,397	\$	\$ 213,441
Miscellaneous					
Total Revenues	<u>21,702</u>	<u>37,342</u>	<u>154,397</u>	<u></u>	<u>213,441</u>
EXPENDITURES					
General Government		700			700
Protection to Persons and Property		18,984	13,407		32,391
General Health and Sanitation		12,250	84,958		97,208
Recreation and Culture		27,998			27,998
Roads	18,999				18,999
Debt Service				71,345	71,345
Capital Projects		1,540	106,993		108,533
Administration			2,142		2,142
Total Expenditures	<u>18,999</u>	<u>61,472</u>	<u>207,500</u>	<u>71,345</u>	<u>359,316</u>
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>2,703</u>	<u>(24,130)</u>	<u>(53,103)</u>	<u>(71,345)</u>	<u>(145,875)</u>
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds			49,273	108,030	157,303
Total Other Financing Sources (Uses)			<u>49,273</u>	<u>108,030</u>	<u>157,303</u>
Net Change in Fund Balances	2,703	(24,130)	(3,830)	36,685	11,428
Fund Balances - Beginning	31,008	33,565	4,125	37,596	106,294
Fund Balances - Ending	<u>\$ 33,711</u>	<u>\$ 9,435</u>	<u>\$ 295</u>	<u>\$ 74,281</u>	<u>\$ 117,722</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Joe D. Gormley, Woodford County Judge/Executive
Members of the Woodford County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Woodford County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Woodford County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodford County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing opinions on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of Woodford County Fiscal Court, management, and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 10, 2004

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**


WOODFORD COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**


CERTIFICATON OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
WOODFORD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2004

The Woodford County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistant Program was expended for the purpose intended, as dictated by the applicable Kentucky Revised Statutes.



Name
Judge Executive



Name
County Treasurer

